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U.S.–Morocco Free Trade Agreement Agriculture Provisions
FACT SHEET

General Trade Profile

In 2003, the U.S.-Morocco trade balance in agricultural products was a surplus of about $82 million. That year, the United States exported over $152 million in agricultural products to Morocco. During the same period, the United States imported about $70 million of agricultural products from Morocco.

Key Elements of the Agreement

Export Subsidies. The United States and Morocco have agreed to not use agricultural export subsidies in each other's markets, unless the exporter believes that a third country is subsidizing its exports into the other FTA country's market. In such cases, special provisions provide for measures to counter the third country's subsidies.

Export State Trading Enterprises. The United States and Morocco have agreed to work in the World Trade Organization (WTO) toward an agreement that: (1) eliminates restrictions on the right to export; (2) eliminates special financing granted directly or indirectly to state trading enterprises that export for sale a significant share of that country's exports of an agricultural good; and (3) ensures greater transparency in the operation and maintenance of export state trading enterprises.

Agricultural Trade Forum. The United States and Morocco affirm their desire to provide a forum for addressing agricultural trade issues, working through the Joint Committee established under the Agreement.

Rules of Origin. The Agreement contains strong but simple rules of origin, consistent with other U.S. free trade agreements in the region. The general rules of origin are designed to ensure that only U.S. and Moroccan goods benefit from the preferential market access commitments. More detailed provisions apply to a few agricultural goods.

Sanitary and Phytosanitary Measures. Under the Agreement, the United States and Morocco affirm their existing rights and obligations under the WTO SPS Agreement. In addition, they forego recourse to the Agreement's dispute settlement procedures for any SPS issues arising under the SPS Section of the agriculture chapter, and affirm their desire to create a forum on SPS matters through the Joint Committee.

Moroccan Commitments on Market Access:

The Agreement enhances access to the Moroccan market for U.S. agricultural products, while at the same time complementing Morocco's agricultural reform efforts and preserving the economic and social stability in a sector of the Moroccan economy that employs almost half of the population.

Morocco will provide preferential market access on all agricultural products according to schedules negotiated on a product-specific basis. Preferential tariff phase-outs on most products will occur in equal annual installments over the following phase-out periods: immediate, five years, eight years, ten years, 12 years, 15 years, and 18 years. Tariffs on other products will be phased out using non-linear formulas applied over six years, 18 years, 19 years and 25 years. Additional tariff cutting formulas apply to certain items on which Morocco will establish preferential tariff-rate quotas (TRQs).

The Agreement establishes preferential TRQs for high quality and standard quality beef, whole birds, leg quarters, durum wheat, non-durum wheat, almonds, and apples. The details of the preferential TRQs vary by product, but in general, the imported product receives a preferential duty reduction for a specific quantity that expands over time. Volumes imported over the specific amounts have higher tariffs. The lower in-quota tariffs are eliminated, except for common wheat, as are the higher over-quota tariffs, except for durum wheat, non-durum wheat, and standard quality beef. In addition, the Agreement contains a provision ("preference clause") that will afford U.S. exporters of products such as wheat, beef, poultry, corn, soybeans, and corn and soybean products any better market access Morocco gives other trading partners, thereby giving U.S. exporters a new tool to compete with Europe and others in Morocco's market.

U.S. Commitments on Market Access:

The United States will provide preferential market access on all agricultural products according to specific schedules negotiated on a product-specific basis. Preferential tariff phase-outs will be immediate, five years, eight years, ten years, 12 years, 15 years, and 18 years. Except for products in the 18-year period, U.S. tariffs will be reduced in equal annual installments over the phase-out period. Tariffs in the 18-year period will be phased out using a non-linear formula.

The Agreement establishes preferential TRQs for Morocco for beef, dairy products, peanuts, cotton, tobacco, sugar and sugar-containing products, tomato products, tomato sauces, dried onions, and dried garlic. Under these TRQs, the imported (Moroccan) product receives a zero duty for a specific quantity that expands over the implementation period. Volumes imported over the specific amounts have higher tariffs. The higher tariffs are gradually eliminated over 15 years, except for sugar and sugar-containing products that have an 18-year phase-out period. Sugar and sugar-containing products also are subject to a net surplus exporter methodology.

U.S. and Moroccan Market Access Commitments on Specific Products:

Beef. The Agreement provides for new access to a market previously closed to U.S. beef. Morocco's tariffs on beef are as high as 275 percent. The Agreement includes two preferential TRQs, one for high quality beef and a second for standard quality beef.

> *High Quality Beef.* High quality beef is defined by tariff line and other common U.S. industry standards such as grading (prime or choice). The initial in-quota quantity for the TRQ on high quality beef will be 4,000 metric tons, and will expand by four percent annually. The in-quota tariff will be reduced initially to 45 percent and subsequently phased out in equal annual increments by year five. The over-quota tariffs will be eliminated in 18 years in equal annual installments. Morocco may establish an import licensing system for high quality beef, and the Agreement contains provisions to ensure that any such import licensing program and procedures do not impede the orderly fill of the TRQ. Imports of U.S. beef will be sold to and in certain hotels and restaurants.
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> *Standard Quality Beef.* The initial in-quota quantity for the TRQ on standard quality beef will be 2,000 metric tons, and will expand by two percent annually after five years. The in-quota tariffs will be eliminated in equal annual installments over ten years. Over-quota tariffs will remain in place unless Morocco negotiates a reduction with another trading partner, which the United States would receive under the preference clause described above.

Morocco agreed to accept export certificates from the United States Department of Agriculture's Food Safety and Inspection Service (FSIS) as the means for certifying compliance with standards on hormones, antibiotics, and other residues.

The United States will establish a preferential TRQ for 15,000 kilograms of beef from Morocco at zero duty, with the in-quota quantity growing by four percent a year. Over-quota tariffs will be phased out over 15 years in equal annual installments.

Corn and Corn Products. Morocco's tariff on corn is 35 percent and its tariffs on corn products (*e.g.*, flour, meal, flakes, and starch) are as high as 60 percent. Morocco will reduce these tariffs by 50 percent in year one, and then eliminate the tariffs over the next five years in equal annual installments. The United States will eliminate its tariffs on corn and corn products immediately.

Cotton. Morocco will immediately eliminate its tariffs on cotton. The United States will establish a preferential TRQ with an in-quota quantity of 5,000 kilograms of cotton from Morocco at zero duty, with the in-quota quantity growing by four percent a year. Over-quota tariffs will be phased out over 15 years in equal annual installments.

Dairy. Morocco's tariffs on dairy products range from 17.5 percent to 109 percent. Morocco will immediately eliminate its tariffs on pizza cheese and whey products. Tariffs on other cheeses will be eliminated in five or ten years depending on the product, on butter in eight years, and on milk powders in 12 or 15 years. All tariff cuts will be made in equal annual installments.

The United States will create preferential TRQs with specific quantities at zero duty for five groups of dairy products: liquid dairy items (creams/ice cream) – 1,500 liters; cheese – 30,000 kilograms; milk powders – 10,000 kilograms; butter – 10,000 kilograms; and other dairy products – 15,000 kilograms. The in-quota quantities will grow by four percent a year. Over-quota tariffs will be phased out over 15 years in equal annual installments. In addition, the Agreement contains specific rules-of-origin provisions that require Moroccan dairy products to be manufactured from milk produced in Morocco or the United States in order to receive U.S. preferential tariff concessions.

Distilled Spirits. Morocco will immediately eliminate its 50 percent tariffs on distilled spirits. Most of the U.S. tariffs on distilled spirits are already duty-free. U.S. tariffs on certain rum products will be eliminated over 15 years.

Fruits, Vegetables, and Nuts. Moroccan tariffs on fruits, vegetables, and nuts range from 17.5 percent to 52 percent, with many tariffs at 50 percent. Morocco will phase out its tariffs over periods ranging from immediate elimination to 18 years, depending on the product. Morocco will immediately eliminate its tariffs on cranberries, pistachios, pecans, and citrus fruit including grapefruit. Tariffs on walnuts, grapes, pears, cherries, fresh potatoes, sweet corn, and frozen potato products will be phased out in five years in equal annual installments. Tariffs on potato chip products will be eliminated immediately or in eight years in equal annual installments. Tariffs on raisins, kidney beans, and other dried beans will be phased out over eight years in equal annual installments.

Preferential TRQs. Morocco will create preferential TRQs for U.S. almonds and apples. The TRQ for almonds sets an initial duty-free quantity of 50 metric tons that will expand by four percent annually. The over-quota tariff of 50 percent will be phased out over 15 years in equal annual increments. U.S. almond exports could double under this new TRQ.

Morocco will establish a seasonal (February through May) TRQ for U.S. apples with an initial duty-free quantity of 2,000 metric tons that will expand by four percent annually. The over-quota tariff of 52 percent will be phased out over ten years in equal annual increments.

Safeguards. During the implementation period, Morocco has recourse to quantity-based safeguards on chickpeas, lentils, bitter almonds (which are not exported by U.S. producers), and dried prunes. These safeguards allow for specified tariff increases after import quantities increase to levels specified in the

> Agreement. Safeguards on these horticultural products will expire when the tariff protection has been phased out.

U.S. tariffs on fruits, vegetables, and nuts from Morocco will be phased out over periods ranging from immediate elimination to 18 years, depending on the product.

> *Preferential TRQs.* The United States will create preferential TRQs for Moroccan dried onions, dried garlic, tomato sauces, and other processed tomato products. Under these preferential TRQs, the United States will eliminate the in-quota duty and establish initial in-quota quantities for each product group (10,000 kilograms for dried onions; 5,000 kilograms for dried garlic; 200 metric tons for tomato sauces; and 300 metric tons for preserved tomato products/tomato pastes and purees). These quantities grow by four percent annually. Over-quota tariffs will be phased out over 15 years in equal annual installments.

> *Safeguards.* During the implementation period, the United States has recourse to price-based safeguards on dried onions; dried garlic; preserved tomato products; tomato pastes/purees; canned asparagus; certain canned black olives; canned pears, apricots, peaches, and fruit mixtures; and orange juice. For these products, the U.S. tariff will increase once import prices for a specific shipment falls below specified levels. Specific price triggers to activate the safeguards and duty increases are established in the Agreement. Safeguards on these horticultural products will expire when tariff protection has been phased out.

In addition, the Agreement contains specific rules-of-origin provisions that require processed fruits, vegetables, and nuts from Morocco, including canned black olives and citrus juices, to be manufactured from fruits, vegetables, and nuts grown in Morocco or the United States in order to receive U.S. preferential tariff concessions.

<u>Other Grains</u>. Morocco will immediately eliminate its tariffs on sorghum and oats. Morocco's tariffs for barley, which can be as high as 35 percent, will be phased out in five years (barley for brewing) or 15 years (other barley), in equal annual installments. Morocco's tariffs on rice – as high as 172 percent – will be phased out in equal annual installments, either five years or ten years, depending on the specific product. U.S. tariffs on sorghum, barley, and rice will be eliminated immediately. The U.S. tariff on oats is already MFN duty-free.

<u>Peanuts and Peanut Products</u>. Morocco will phase out its 72.5 percent tariffs on peanuts (other than for sowing) and its 50 percent tariffs on peanut butter over ten years in equal annual installments. In addition, Morocco will eliminate its tariffs on peanut oil and flour immediately. The United States will establish a preferential TRQ for 1,000 kilograms of peanuts/peanut butter from Morocco at zero duty, with the in-quota quantity growing by four percent a year. Over-quota tariffs will be phased out over 15 years in equal annual installments.

Poultry and Poultry Products. Morocco's tariffs on most poultry are 124 percent. Morocco will create four preferential TRQs for U.S. exports of poultry.

> *Chicken Leg Quarters and Wings.* The initial TRQ in-quota quantity for leg quarters will be 4,000 metric tons and will expand by 200 metric tons each year until the over-quota tariff is eliminated. Morocco will immediately lower the in-quota tariffs to 60 percent, and phase out the tariffs by year ten in equal annual increments. The over-quota tariffs will be phased out by year 25 using a non-linear formula. Morocco has recourse to a quantity-based safeguard on these products. The safeguard allows for specified tariff increases after import quantities increase to levels specified in the Agreement. No later than year 24, Morocco and the United States will evaluate the need for a post-transition safeguard. If implemented, the post-transition safeguard allows a tariff of 25 percent of the prevailing applied MFN rate to be imposed on imports that exceed 105 percent of the previous year's imports.
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> *Whole Chickens and Turkeys.* The initial TRQ in-quota quantity for whole birds is 1,250 metric tons, and will expand by 100 metric tons each year until the over-quota tariff is eliminated. Morocco will immediately lower the in-quota tariffs to 60 percent, and phase out the tariffs by year ten in equal annual increments. The over-quota tariffs will be phased out by year 19 using a non-linear formula. During the transition period, Morocco has recourse to a quantity-based safeguard on these products. The safeguard allows for specified tariff increases after import quantities increase to levels specified in the Agreement. The safeguard on these products will expire when tariff protection has been phased out.
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> *Frozen Chicken Thigh Meat and Other Frozen Poultry Meat.* Morocco also will create two separate TRQs for non-mechanically de-boned frozen meat from chickens. The in-quota tariff for the thigh meat TRQ will be phased out in equal annual increments over five years; the TRQ in-quota quantity will expand from 125 to 185 tons as the over-quota tariff is phased out over ten years in equal annual increments. The in-quota tariff for the other frozen poultry meat will be phased out in equal annual increments over ten years; the TRQ in-quota quantity will expand from 75 to 172 tons over 18 years as the over-quota tariff is phased out by year 19 using a non-linear formula.

Morocco will immediately eliminate its tariffs on mechanically de-boned chicken and chicken nuggets, strips, and patties. Morocco will phase out its 124 percent tariff on non-mechanically de-boned chicken breasts and line tenders and its 52 percent tariff on chicken sausages in five years in equal annual increments. Morocco will phase out its 124 percent tariff on chicken livers and offals and its 50 percent tariff on certain processed turkey products in ten years in equal annual increments.

Morocco agreed to accept export certificates from the United States Department of Agriculture's Food Safety and Inspection Service (FSIS) as the means for certifying compliance with standards on hormones, antibiotics, and other residues.

Processed Foods. Morocco's tariffs on most processed food items are 40 or 50 percent. Morocco will phase out its tariffs on processed foods over periods ranging from immediate elimination up to 15 years, depending on the product. Tariffs are reduced in equal annual increments. Morocco will phase out tariffs on breakfast cereals and frozen pizza and quiches in five years, and tariffs on pet food and certain food preparations in eight years.

Seeds for Sowing. Morocco generally applies tariffs of 2.5 percent on seeds for sowing, including seeds for most grains and oilseeds. Morocco will eliminate such tariffs immediately. Most U.S. seed tariffs are MFN duty-free, and tariffs that exist will be eliminated immediately.

Soybeans, Other Oilseeds, and Products. Morocco will immediately eliminate its 2.5 percent tariffs on soybeans and other oilseeds imported by processors for crushing, its 75.5 percent tariff on high-valued soybean meal used in human food, and its 2.5 percent tariffs on crude soybean and other vegetable oils.

Morocco employs a complicated differential duty on soybeans and other oilseeds imported for other forms of processing (*i.e.*, other than crushing). Morocco agreed to eliminate this complicated tariff system immediately upon entry into force of the Agreement.

Morocco's tariff on soybeans imported for other forms of processing is 22.5 percent, and its tariffs on other oilseeds (*e.g.*, rapeseed, colza seed, and sunflower seed) are as high as 37 percent. Morocco's tariff on soybean meal is 25 percent. Morocco will reduce these tariffs on soybeans and other oilseeds and soybean meal by 50 percent in year one, and then eliminate the tariffs over the next five years in equal annual installments. Tariffs on other oilseeds items will be phased out over ten years in equal annual installments.

Morocco's tariffs on soybean oil and other vegetable oils are 25 percent. Morocco will phase out these tariffs over ten years in equal annual installments.

U.S. tariffs on soybeans, most other oilseeds, soybean meal, and soybean oils for pharmaceutical use are negligible or MFN duty-free. The United States will immediately eliminate tariffs on these items. U.S. tariffs on other soybean oil items will be phased out over ten years in equal annual installments.

Sugar. Morocco's tariffs on sugar range from 25 to 60 percent. Morocco will phase out its sugar tariffs in five, ten, and 18 years. Unless it is a net exporter of sugar, Morocco cannot export sugar to the United States. In 2002, Morocco was a net importer of more than 573,000 metric tons. For the first 11 months of 2003, Morocco's net imports of sugar were nearly 490,000 metric tons.

Wheat. Reflecting the sensitivity of its wheat sector, Morocco employs a complicated import system for durum and common wheat, including tariffs as high as 75 percent for durum wheat and 135 percent for common wheat. Under the Agreement, Morocco will create preferential TRQs for durum wheat and common wheat. These TRQs could lead to a five-fold increase in U.S. wheat exports over recent levels.

Durum Wheat. Morocco will establish an initial TRQ in-quota quantity of 250,000 metric tons that will increase by 10,000 metric tons each year. The in-quota tariff will be set at 25 percent below the applied MFN rate (currently 75 percent) during the first five years of the Agreement, and thereafter, will be eliminated in equal annual installments by January 1 of year 10. The preferential in-quota tariff rate will not be available to U.S. exporters during June and July, unless Morocco imports durum wheat from another exporter during these months, in which case U.S. exports would receive the preferential rate. The over-quota tariff will remain in place unless Morocco negotiates a reduction with another trading partner, which the United States would receive under the preference clause described above.

Common Wheat. Morocco will establish initial TRQ in-quota quantities based on its domestic production of wheat. If Moroccan domestic production is 3 million metric tons or greater, the preferential TRQ in-quota quantity will be 280,000 metric tons. If Morocco's domestic production is less than 2.1 million metric tons, the initial preferential TRQ in-quota quantity will be 700,000 metric tons. When Moroccan domestic production is between 2.1 and 3 million metric tons, the TRQ will be between 280,000 and 700,000, according to a methodology established in the Agreement. Between years two and ten, the 280,000 metric-ton level will expand to 400,000 metric tons, and the 700,000 metric-ton level will expand to 1,060,000 metric tons. However, if before January 1 of year ten, Morocco provides any other trading partner larger quantities under this methodology, the U.S. quantities shall be increased in equal annual increments to equal the amounts provided to that other trading partner by January 1 of year 10.

The Agreement uses a formula to establish the preferential in-quota tariff on common wheat because Morocco frequently adjusts its applied MFN tariff rate on this product. If Morocco's applied MFN tariff is equal to 135 percent, the preferential tariff rate applied to U.S. common wheat will be 83.7 percent. If Morocco's applied MFN tariff is less than 135 percent, the U.S. preferential tariff will be adjusted downward by a formula contained in the Agreement. The preferential in-quota tariff rate will not be available to U.S. exporters during June and July (with a possible extension through August). The over-quota tariff will remain in place unless Morocco negotiates a reduction with another trading partner, which the United States would receive under the preference clause outlined above.

Initially, Morocco will employ a wheat auction system for imports under the TRQs for durum and common wheat. The Agreement contains specific disciplines regarding the policies and procedures for the wheat auction system. No later than year four, Morocco and the United States shall determine whether the in-quota quantities in Morocco's wheat TRQs will be administered through an auction or first-come, first-served system.

Wheat Products. Morocco will create a preferential TRQ for products made from durum wheat (*e.g.*, flour, pastas) and another for products made from common wheat (*e.g.*, flour, groats). The initial in-quota quantity for each TRQ starts at 1,500 metric tons and expands by two percent annually. The preferential in-quota tariffs are established using the same approach as for durum and common wheat, respectively. The over-quota tariffs will remain in place unless Morocco negotiates a reduction with another trading partner, which the United States would receive under the preference clause described above.

Wine. Morocco will eliminate its 52 percent tariffs on wine over 10 years in equal annual installments. The United States will eliminate its wine tariffs using a harmonization formula, under which they will be progressively reduced over ten years to the lowest wine tariff level, before all U.S. wine tariffs are duty-free in year 11.